



uMuziwabantu Local Municipality

Annual Financial Statements

for the year ended 30 June 2019

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

General Information

MUNICIPAL COUNCIL

D. Nciki	(Mayor)
N.T. Ndzingwa	(Deputy Mayor)
M.V. Nyathi	(Speaker)
M.V. Vezi	(Exco Member)
S.J. Ncwane	(Exco Member)
H.J. Ngubelanga	Councillor
N. Ngubelanga	Councillor
M.B. Gavu	Councillor
C.P. Nkomo	Councillor
G.F. Memela	Councillor
N. Nozisali	Councillor
V. Mbata	Councillor
T.A. Disane	Councillor
Z. Hlabe	Councillor
W. Mbotho	Councillor
S.S. Maphumulo	Councillor
C.M. Machi	Councillor
K.S. Mteshana	Councillor
A.M. Cele	Councillor
X.C. Mndela	Councillor
D. Nciki	(District Council Representative)
H.J. Ngubelanga	(District Council Representative)
T.A. Disane	(District Council Representative)

GRADING OF Local Municipality

Grade 3

AUDITORS

Auditor General of South Africa

BANKERS

Nedbank Limited
First National Bank Limited
Investec Limited
Standard Bank

REGISTERED OFFICE

Main Street
HARDING, 4680

POSTAL OFFICE

Private Bag X1023
HARDING
4680

MUNICIPAL MANAGER

Mr W.T. Gumede (from 1 January 2019)

CHIEF FINANCIAL OFFICER

Mr I. Ogle Acting from (1 April 2019 - 31 August 2019)
Ms S. Vilakazi from (1 September 2019)

WEBSITE: www.umuziwabantu.gov.za

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

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ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
VAT	Value Added tax
MSCOA	Municipal Standard Chart of Accounts
DoRA	Division of Revenue Act
PAYE	Pay As You Earn
SARS	South African Revenue Services

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly presented the state of affairs of the Local Municipality as at the end of 30 June 2019 and the results of its operation and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible of the system of internal financial control established by the Local Municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error of deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Local Municipality and all employees are required to maintain the highest ethical standards in ensuring the Local Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the uMuziwabantu Local Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Local Municipality. While operating risk cannot be fully eliminated, the Local Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system on internal control provides reasonable assurance that the financial control can provide only reasonable, and not absolute assurance against material misstatements of deficit.

The Accounting Officer has reviewed the Local Municipality's cash flow forecast for the 01 July 2018 to 30 June 2019 and in the light of this review and the current financial position, they are satisfied that the uMuziwabantu Local Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 66 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Local Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr W.T. Gumede
Municipal Manager

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Statement of Financial Position as at June 30, 2019

		2019	2018
	Note(s)		Restated*
Assets			
Current assets			
Inventory	7	185 842	326 251
Receivables from exchange transactions	8	7 003 954	5 733 192
Receivables from Non exchange transactions	9	9 069 758	7 048 121
VAT receivable	10	4 409 643	3 408 392
Cash and cash equivalents	11	164 627 811	164 724 388
		185 297 007	181 240 343
Non-current assets			
Investment Property	2	2 702 000	2 702 000
Property, plant and equipment	3	312 319 288	279 574 829
Intangible Asset	4	951 840	1 282 128
Plantation Investment	6	37 810 116	31 483 943
		353 783 244	315 042 900
Total Assets		539 080 251	496 283 243
Liabilities			
Current liabilities			
Finance Lease Liability	13	105 631	331 643
Unspent grants and receipts	14	4 831 895	6 648 588
Payables from exchange transactions	16	11 613 837	14 487 407
Consumer deposits	17	553 473	573 201
		17 104 837	22 040 840
Non- current liabilities			
Finance Lease Liability	13	11 038	60 672
Provisions	15	4 517 374	4 125 456
Employee benefit obligation	5	7 099 974	5 596 867
		11 628 385	9 782 994
		28 733 222	31 823 834
Net assets		510 347 029	464 459 409
Net assets			
Reserves			
Revaluation reserve	12	53 515 969	53 515 969
Accumulated Surplus		456 831 061	410 943 440
Total Assets		510 347 029	464 459 409

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Statement of Financial Performance

		2019	2018
	Note(s)		Restated*
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		9 715 536	7 502 432
Service charges	22	33 472 426	33 035 653
Rental on facilities and equipment	19	224 995	81 902
Licences and permits		2 036 508	1 699 906
Other Income	25	970 791	1 008 721
Agency services		244 916	377 738
Interest received - investments	18	13 578 663	11 273 396
Total revenue from exchange transactions		60 243 835	54 979 748
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	26 608 887	27 220 633
Property rates-penalties imposed	21	2 274 684	1 434 502
Transfer revenue			
Government grants and subsidies	23	96 248 591	86 094 031
Capital grants	24	23 225 707	34 492 888
Fines		258 950	15 250
Total revenue from non exchange transactions		148 616 819	149 257 304
Total revenue	20	208 860 654	204 237 052
Expenditure			
Employee related costs	27	(61 806 442)	(50 522 265)
Remuneration of Councillors	28	(8 529 439)	(8 568 526)
Afforestation Scheme general expenses	29	(4 408 161)	(4 195 418)
Afforestation Scheme cost of sales		(4 585 296)	(3 935 175)
Depreciation and amortisation	32	(15 004 999)	(11 907 162)
Finance costs	33	(799 067)	(1 065 184)
Operating lease	13	(295 270)	(292 492)
Debt impairment	30	(2 408 098)	(5 033 972)
Inventory consumed	7	(1 302 787)	(1 557 137)
Bulk purchases	37	(28 191 530)	(26 165 356)
Contracted services	35	(14 108 791)	(9 602 102)
Transfers and subsidies	36	(2 351 082)	(1 812 391)
Operational expenses	26	(25 933 088)	(25 830 487)
Total Expenditure		(169 724 050)	(150 487 667)
Operating surplus		39 136 604	53 749 386
Loss on Disposal of assets		(298 528)	(453 245)
Changes in value of plantation	31	6 326 174	3 676 100
Surplus for the year		45 164 250	56 972 240

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Statement of Changes in Net Assets

		Revaluation Reserve R	Accumulated Surplus/ R	Total net assets R
Balance at 01 July 2017 - (Restated)		53 515 969	358 079 585	411 595 554
Prior Year Error	54		(4 108 386)	(4 108 386)
Surplus for the year			56 972 240	56 972 240
Total changes		53 515 969	410 943 440	464 459 409
Balance at 01 July 2018		53 515 969	410 943 440	464 459 409
Revaluation of Property		-	-	-
Prior Year Error	54		723 371	723 371
Surplus for the year		-	45 164 250	45 164 250
Total changes		53 515 969	456 831 061	510 347 029

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Cash Flow Statement

	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		70 298 336	70 166 782
Grants		119 474 298	120 586 920
Other receipts		13 310 598	12 172 300
Other cash item			
		203 083 232	202 926 002
Payments			
Employee Costs		(72 465 347)	(58 335 654)
Suppliers		(75 274 755)	(63 664 864)
Finance costs		(799 067)	(117 787)
Other cash items		(7 041 472)	(8 935 743)
		(155 580 640)	(131 054 048)
Net cash flows from operating activities	39	47 502 593	71 871 953
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(47 561 395)	(36 649 349)
Proceeds from sale of property, plant and equipment	3	761 293	649 685
Proceeds from sale on investment property	2	-	-
Purchase of other intangible assets	4	-	(131 578)
Movement in plantation investment		-	-
Purchase of other assets		-	-
Net cash generated from / (utilised in) investing activities		(46 800 102)	(36 131 242)
Cash flows from financing activities			
Repayment of other financial liabilities			-
Finance lease payments		(799 067)	(947 397)
Other cash item			-
Net cash flows from financing activities		(799 067)	(947 397)
Net increase/(decrease) in cash and cash equivalents		(96 576)	34 793 315
Cash and cash equivalents at the beginning of the year		164 724 388	129 931 073
Cash and cash equivalents at the end of the year	11	164 627 811	164 724 388

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

Statement of Comparison of Budget and Actual Amount

	Approved budget	Budget adjustment	Final Budget	Actual outcome	Variance	Actual Outcome as % of final budget %	Actual Outcome as % of original budget %
	R	R	R	R	R		
Financial Performance							
Property rates	24 904 489,00	1 000 000,00	25 904 489,00	26 608 886,56	704 398	103%	107%
Property rates-penalties&collection charges			-	2 274 683,94	2 274 684	0%	0%
Service charges-electricity revenue	36 062 690,40	106 841,20	36 169 531,60	33 472 425,97	(2 697 106)	93%	93%
Service charges-refuse revenue	2 381 709,00	-	2 381 709,00	-	(2 381 709)	0%	0%
Rental of facilities and equipment	172 835,00	-55 000,00	117 835,00	224 994,59	107 160	191%	130%
Interest earned-external investments	9 915 136,00	2 000 000,00	11 915 136,00	13 578 662,91	1 663 527	114%	137%
Fines	890 363,01	-	890 363,01	258 950,00	(631 413)	29%	29%
Licences and permits	550 000,00	-	550 000,00	2 036 507,96	1 486 508	370%	370%
Agency services	2 230 052,00	-	2 230 052,00	244 916,11	(1 985 136)	11%	11%
Transfers recognised	98 239 000,00	188 162,50	98 427 162,50	96 248 591,11	(2 178 571)	98%	98%
Other revenue	1 676 394,11	4 074 337,20	5 750 731,31	970 791,20	(4 779 940)	17%	58%
Afforestation	-	-	-	9 715 536,00	9 715 536		
Total revenue	177 022 668,52	7 314 340,90	184 337 009,42	185 634 946,35	1 297 937	10,25	10,33
Employee costs	62 851 915,00	-556 000,00	62 295 915,00	61 806 441,55	(489 473)	99%	98%
Remuneration councillors	10 151 645,00	-	10 151 645,00	8 529 439,36	(1 622 206)	84%	84%
Afforestation Scheme general expenses	-	-	-	4 408 161,00	4 408 161	0%	0%
Afforestation Scheme cost of sales	-	-	-	4 585 296,00	4 585 296	0%	0%
Debt impairment	195 833,00	-	195 833,00	2 408 098,31	2 212 265	1230%	1230%
Depreciation and asset impairment	14 604 032,00	1 000 000,00	15 604 032,00	15 004 998,84	(599 033)	96%	103%
Finance cost and lease	839 888,83	-	839 888,83	799 066,69	(40 822)	95%	95%
Operating lease	-	-	-	295 270,07	295 270	0%	0%
Bulk purchases	32 961 931,00	-	32 961 931,00	28 191 529,74	(4 770 401)	86%	86%
Inventory consumed	999 848,78	699 912,89	1 699 761,67	1 302 786,93	(396 975)	77%	130%
Contracted services	3 758 989,76	1 764 721,00	5 523 710,76	14 108 791,15	8 585 080	255%	375%
Transfers and grants	6 559 481,81	1 000 000,00	7 559 481,81	2 351 082,00	(5 208 400)	31%	36%
Other expenditure	51 427 463,83	-6 096 033,16	45 331 430,67	25 933 088,23	(19 398 342)	57%	50%
Total Expenditure	184 351 029,01	-2 187 399,27	182 163 629,74	169 724 049,87	(12 439 580)	93%	92%
Operating surplus	-7 328 360,49	9 501 740,17	2 173 379,68	15 910 896,48	18 084 276	732%	-217%
Transfers recognised- capital	22 940 000,00	5 000 000,00	27 940 000,00	23 225 707,24	51 165 707	83%	101%
Loss on disposal of PPE	-	-	-	-298 527,89	(298 528)	0%	0%
Change in plantation	-	-	-	6 326 174,00	6 326 174	0%	0%
Surplus/Deficit	15 611 639,51	14 501 740,17	30 113 379,68	45 164 249,83	75 277 629,51	815%	-116%

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Appropriation Statement

	Approved budget		Budget adjustment		Final Budget		Actual outcome		Variance		Actual Outcome as % of final budget		Actual Outcome as % of original budget	
	R		R		R		R		R		%		%	
ASSETS														
Current assets														
Cash	290 131	-	12 134 000	-	290 131	-	164 627 811	-	(290 131)	-	0%	-	0%	-
Call investment deposits	72 257 840	-	-	-	84 391 840	-	164 627 811	-	80 235 971	-	195%	-	228%	-
Consumer debtors	25 880 634	-	-	-	25 880 634	-	16 073 711	-	(9 806 923)	-	62%	-	62%	-
Other debtors	-	-	-	-	-	-	-	-	-	-	0%	-	0%	-
Inventory	-	-	-	-	-	-	185 842	-	185 842	-	0%	-	0%	-
Total Current Assets	98 428 605	12 134 000	12 134 000	110 562 605	180 887 364	70 324 759	164%	184%						
Non-Current assets														
Property, plant and equipment	213 373 348	-	-	-	213 373 348	-	312 319 288	-	98 945 940	-	146%	-	146%	-
Intangible	434 889	-	-	-	434 889	-	951 840	-	516 951	-	219%	-	219%	-
Total Non-Current Assets	213 808 237	-	-	213 808 237	313 271 128	99 462 891	3,65	3,65						
LIABILITIES														
Current liabilities														
Borrowing	42 120	-	-	-	42 120	-	105 631	-	63 511	-	251%	-	251%	-
Consumer deposits	535 977	-	-	-	535 977	-	553 473	-	17 496	-	103%	-	103%	-
Trade and other payables	2 863 037	-	-	-	2 863 037	-	11 613 837	-	8 750 800	-	406%	-	406%	-
Provisions	7 115 121	-	-	-	7 115 121	-	-	-	(7 115 121)	-	0%	-	0%	-
Total Current Liabilities	10 556 255	-	-	10 556 255	12 272 941	1 716 686	116%	116%						
Non current liabilities														
Borrowing	690 768	-	-	-	690 768	-	11 038	-	(679 730)	-	2%	-	2%	-
Provisions	5 309 226	-	-	-	5 309 226	-	11 617 347	-	6 308 121	-	219%	-	219%	-
Total Non-Current Liabilities	5 999 994	-	-	5 999 994	11 628 385	5 628 391	2,20	2,20						
Funding Sources														
National grant	22 501 000	4 750 000	-	-	27 251 000	-	27 251 000	-	-	-	100%	-	121%	-
Provincial grant	-	-	-	-	-	-	-	-	-	-	0%	-	0%	-
District grant	-	-	-	-	-	-	-	-	-	-	0%	-	0%	-
Internal Funding	56 611 000	(15 034 000)	-	-	41 577 000	-	5 428 434	-	(36 148 566)	-	13%	-	10%	-
Total Funding	79 112 000	(10 284 000)	4 750 000	68 828 000	32 679 434	36 148 566	47%	41%						
Cash flows														
Net cash from operating	22 703 491	5 575 240	-	-	28 278 731	-	47 502 593	-	19 223 862	-	168%	-	209%	-
Net cash from investing	(79 363 050)	6 558 393	-	-	(72 794 657)	-	(46 800 102)	-	25 994 555	-	64%	-	59%	-
Net cash from financing	(733 000)	-	-	-	(733 000)	-	(799 067)	-	(66 067)	-	109%	-	109%	-
Net increase/(decrease) in cash and cash equivalents	(57 382 559)	12 133 633	12 133 633	(45 248 926)	(96 576)	45 152 350	0%	0%						
Cash and cash equivalents at the beginning of the year														
	129 931 000	-	-	-	164 724 388	-	164 724 388	-	-	-	-	-	-	-
Cash and cash equivalents at the end of the year	72 548 441	12 133 633	12 133 633	(45 248 926)	164 627 811	45 152 350								

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Appropriation Statement

	Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final Budget	Actual outcome	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget
	R	R	R	R	R	%	%
Financial Performance							
Property rates	24 904 489	1 000 000	25 904 489	26 608 887	704 398	103%	107%
Property rates-penalties&collection charges	-	-	-	2 274 684	2 274 684	100%	100%
Service charges-electricity revenue	36 062 690	106 841	36 169 532	33 472 426	(2 697 106)	93%	93%
Service charges-refuse revenue	2 381 709	-	2 381 709	-	(2 381 709)	0%	0%
Rental of facilities and equipment	172 835	(55 000)	117 835	224 995	107 160	191%	130%
Interest earned-external investments	9 915 136	2 000 000	11 915 136	13 578 663	1 663 527	114%	137%
Fines	890 363	-	890 363	258 950	(631 413)	29%	29%
Licences and permits	550 000	-	550 000	2 036 508	1 486 508	370%	370%
Agency services	2 230 052	-	2 230 052	244 916	(1 985 136)	11%	11%
Transfers recognised	98 239 000	188 163	98 427 163	96 248 591	(2 178 571)	98%	98%
Other revenue	1 676 394	4 074 337	5 750 731	970 791	(4 779 940)	17%	58%
<i>Afforestation</i>	-	-	-	9 715 536	9 715 536	100%	100%
Total revenue	177 022 669	7 314 341	184 337 009	185 634 946	1 297 937	12,25	12,33
Employee costs	62 851 915	(556 000)	62 295 915	61 806 442	(489 473)	99%	98%
Remuneration councillors	10 151 645	-	10 151 645	8 529 439	(1 622 206)	84%	84%
Afforestation Scheme general expenses	-	-	-	4 408 161	4 408 161	100%	100%
Afforestation Scheme cost of sales	-	-	-	4 585 296	4 585 296	100%	100%
Debt impairment	195 833	-	195 833	2 408 098	2 212 265	1230%	1230%
Depreciation and asset impairment	14 604 032	1 000 000	15 604 032	15 004 999	(599 033)	96%	103%
Finance cost and lease	839 889	-	839 889	799 067	(40 822)	95%	95%
Operating lease	-	-	-	295 270	295 270	-	-
Bulk purchases	32 961 931	-	32 961 931	28 191 530	(4 770 401)	86%	86%
Inventory consumed	999 849	699 913	1 699 762	1 302 787	(396 975)	77%	77%
Contracted services	3 758 990	1 764 721	5 523 711	14 108 791	8 585 080	255%	375%
Transfers and grants	6 559 482	1 000 000	7 559 482	2 351 082	(5 208 400)	31%	36%
Other expenditure	51 427 464	(6 096 033)	45 331 431	25 933 088	(19 398 342)	57%	50%
Total Expenditure	184 351 029	(2 187 399)	182 163 630	169 724 050	(12 337 875)	94%	92%
Operating surplus	(7 328 360)	9 501 740	2 173 380	15 910 896	13 635 812	411%	-217%
Transfers recognised- capital	22 940 000	5 000 000	27 940 000	23 225 707	(4 714 293)	83%	101%
Loss on disposal of PPE	-	-	-	(298 528)	(298 528)	0%	0%
<i>Afforestation</i>	-	-	-	-	-	0%	0%
<i>Change in plantation</i>	-	-	-	6 326 174	6 326 174	0%	0%
Surplus/Deficit	15 611 640	14 501 740	31 813 141	45 164 250	14 949 165	142%	289%

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Appropriation Statement

	Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final Budget	Actual outcome authoris expenditure	Variance	Actual Outcome as % of final budget %	Actual Outcome as % of original budget %
	R	R	R	R	R		
Assets							
Infrastructure Assets	32 980 000	(1 250 000)	31 730 000		(31 730 000)	0%	0%
Community Assets	15 072 000	1 630 000	16 702 000		(16 702 000)	0%	0%
Land And Buildings	25 000 000	(10 000 000)	15 000 000	-	(15 000 000)	0%	0%
Other Assets	6 060 000	(664 000)	5 396 000		(5 396 000)	0%	0%
Total Assets	79 112 000	(10 284 000)	68 828 000	32 679 434	-	47%	41%
Funding Sources							
National grant	22 501 000	4 750 000	27 251 000	27 251 000	-	100%	121%
Provincial grant	-	-	-	-	-	0%	0%
District grant	-	-	-	-	-	0%	0%
Internal Funding	56 611 000	(15 034 000)	5 428 434	5 428 434	-	100%	10%
Total Funding	79 112 000	(10 284 000)	68 828 000	32 679 434	36 148 566	47%	41%
Cash flows							
Net cash from operating	22 703 491	5 575 240	28 278 731	47 502 593	19 223 862	168%	209%
Net cash from investing	(79 353 050)	6 558 393	(72 794 657)	(46 800 102)	25 994 555	64%	59%
Net cash from financing	(733 000)	-	(733 000)	(799 067)	(66 067)	109%	109%
Net increase/(decrease) in cash and cash equivalents	(57 382 559)	12 133 633	(45 248 926)	(96 576)	45 152 350	0%	0%
Cash and cash equivalents at the beginning of the year	129 931 000	-	129 931 000	164 724 388	34 793 388	127%	127%
Cash and cash equivalents at the end of the year	72 548 441	12 133 633	84 682 074	164 627 811	79 945 737	194%	227%

Accounting Policies

1) Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis on measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual financial statements, are disclosed below.

1.1 Presentation Currency

These Annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2018 the Municipality has adopted the accounting framework as set out below except as excluded by the applicable directives. The details of any resulting changes in the accounting policy and comparative restatements.

The Municipality changes an Accounting policy only if the change:

- a) Is required by a Standard of GRAP; or listed below
- b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cash flow.

Accounting Policies

The following GRAP standards have been approved and effective to the municipality:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non - Cash generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash- Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 106	Transfer of Function Between Entities Not Under common Control

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests In Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Impact on the municipality's financial statements once implemented:

None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

Accounting Policies

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

Accounting Policy 1.13 on Revenue from Exchange Transactions and Accounting Policy 1.14 on Revenue from Non- exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 1.9 on Financial Assets Classification and Accounting Policy 1.9 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities..

Impairment: Write down of Property Plant and Equipment and Inventories

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note for Provisions.

Useful lives of property, plant and equipment

As described in Accounting Policy 1.5, the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Defined benefit plan liabilities

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions.

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in notes to the Annual Financial Statements.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and for capital appreciation or both, rather than for,

- Use in the production or supply of goods or services, or for
- Administrative purpose, or
- Sale of an asset in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Accounting Policies

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Work in Progress

Investment property under construction are recognised as Property, plant and equipment during construction. Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Accounting Policies

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectation differs from the previous estimates, the change is accounted for as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end, and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Work in Progress

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Accounting Policies

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

De-recognition of Property, Plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Accounting Policies

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful Life
Computer software	3 - 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.8 Non-Current Assets Held For Sale Initial Recognition

A non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

Accounting Policies

- o financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:
The fair values of quoted investments are based on current bid prices.
If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial Assets - Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard.

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at

Accounting Policies

fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Short-term Investment Deposit	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Long- Term Receivables	Financial asset measured at amortised cost
Consumer Receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Investment in Fixed deposit	Financial asset measured at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities measured at fair value, or amortised cost or at cost.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities

Class	Category
Long Term Liabilities	Financial liability measured at amortised cost
Other Creditors	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost

Accounting Policies

Short Term loans

Financial liability measured at amortised cost

Current portion of Long Term Liabilities Financial liability measured at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term: derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial recognition

Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with surplus and deficit recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Initial measurement of financial liabilities

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost.

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year- end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as recoverable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial Instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Derecognition

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the

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asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised

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for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable]

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relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Risk Management of Financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk:

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. -A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 38 to the annual financial statements.

1.11 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

1.13 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

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1.14 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.15 Leases

Finance leases as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest in discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables are calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in the statement of financial performance

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

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1.16 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

1.17 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosures in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective are practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.18 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets is recognised in the income statement. Finance charges are not capitalised.

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1.19 Inventories

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

If the recoverable amount of an asset is less than it is carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an Umuziwabantu Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as result of either, Municipalities decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality provided retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds administrators. Contribution are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficit identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Payments to defined contribution retirement

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benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible. Financial assumptions are based on market expectations, at the reporting date, for period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if and only if either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.22 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provision are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discounted rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identify at least:
 - The business or part of a business concerned;

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- The principal locations affected
 - The location, function, and approximate number of employees who will be compensated for terminating their service
 - The expenditure that will be undertaken; and
 - When the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.23 Revenue from exchange transactions:

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis

Dividends are recognised on the date that the municipality becomes entitled to receive the dividends

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality not met the contribution, a liability is recognised.

1.24 Revenue from non-exchange transaction:

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objective and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises and collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

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Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per GRAP 1

Assets arising from fines are measured at the estimate of the inflow of resources to the municipality.

1.25 Trade payables and borrowings

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re-classified. The nature and reason for the reclassification is disclosed.

1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of

Accounting Policies

2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.30 Use of estimates

The preparation of the annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.31 Trade and other receivables

Trade and other receivables are categorized as financial assets, loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified current.

1.32 Cash and cash equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried are amortised cost.

1.33 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriation or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016. The budget for the economic entity includes all the entities approved budgets under its control

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per GRAP 1

Assets arising from fines are measured at the estimate of the inflow of resources to the municipality.

1.25 Trade payables and borrowings

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re-classified. The nature and reason for the reclassification is disclosed.

1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

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The preparation of the annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

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Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
2 Investment property		
Investment property	2 702 000	2 702 000

Reconciliation of Investment property - 2019	Opening balance	Revaluation	Disposal	Total
Investment property	2 702 000	-	-	2 702 000

Reconciliation of Investment property - 2018	Opening balance	Revaluation	Disposal	Total
Investment property	1 459 000	1 366 000	(123 000)	2 702 000

Details of Property

Various land where council intends using it for future development and the fair value disclosed was based on the valuation by an independent valuer, BPG Mass Appraisals, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties. The properties are all vacant residential properties. The fixed date for the general valuation date was 1 July 2017, the next valuation date is 2022.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Local Municipality.

3 Property, plant and equipment

	2019			2018		
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	44 138 797	-	44 138 797	44 138 797	-	44 138 797
Buildings	88 814 010	(12 803 484)	76 010 525	57 620 389	(10 783 420)	46 836 969
Plant and machinery	13 089 754	(6 493 998)	6 595 756	9 777 148	(5 747 970)	4 029 177
Furniture and fixtures	3 106 332	(1 751 415)	1 354 917	2 228 031	(1 624 068)	603 964
IT equipment	3 267 104	(1 759 555)	1 507 549	2 997 195	(1 456 593)	1 540 601
Roads	181 172 792	(43 302 149)	137 870 643	171 679 108	(35 072 712)	136 606 396
Transport Assets	12 618 908	(4 964 851)	7 654 057	10 811 341	(4 084 769)	6 726 572
Other Leased Assets	311 245	(236 764)	74 482	982 017	(676 721)	305 295
Afforestation	2 641 800	(883 665)	1 758 135	2 641 800	(785 904)	1 855 896
Solid Waste	33 101 852	(3 545 113)	29 556 739	33 047 531	(2 340 776)	30 706 755
Electricity	12 923 533	(7 125 844)	5 797 688	12 923 533	(6 699 126)	6 224 406
Total	395 186 127	(82 866 839)	312 319 288	348 846 889	(69 272 060)	279 574 829

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

3 Property, plant and equipment

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Under construction	Current year transfers	Disposals Cost	Revaluation movements	Accumulated depreciation disposals	Depreciation	Impairment loss	Total
Land	44 138 797	-	-	-	-	-	-	-	-	44 138 797
Buildings	46 836 969	-	31 195 333	-	(1 712)	-	1 710	(2 021 774)	-	76 010 525
Plant and machinery	4 029 177	3 333 563	-	-	(20 956)	-	10 189	(700 178)	(56 039)	6 595 756
Furniture and fixtures	603 964	937 207	-	-	(58 906)	-	55 110	(181 509)	(949)	1 354 917
IT equipment	1 540 601	419 262	-	-	(149 352)	-	127 906	(425 174)	(5 694)	1 507 549
Roads	136 606 396	224 900	9 268 784	-	-	-	-	(8 229 437)	-	137 870 643
Transport Assets	6 726 572	2 081 901	-	-	(274 334)	-	267 221	(1 147 303)	-	7 654 057
Other Leased Assets	305 295	35 559	-	-	(706 330)	-	706 330	(266 372)	-	74 481
Afforestation	1 855 896	10 569	-	-	(2 948)	-	-	(105 382)	-	1 758 135
Solid Waste	30 706 755	54 318	-	-	-	-	-	(1 204 337)	-	29 556 736
Electricity	6 224 408	-	-	-	-	-	-	(426 716)	-	5 797 692
Total	279 574 829	7 097 278	40 464 117	-	(1 214 538)	-	1 168 467	(14 708 183)	(62 682)	312 319 288

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Under construction	Current year transfers	Disposals	Revaluation movements	Accumulated depreciation disposals	Depreciation	Impairment loss	Total
Land	18 782 297	-	-	-	(250 000)	25 606 500	-	-	-	44 138 797
Buildings	38 610 242	1 052 773	9 184 657	-	-	-	-	(1 122 950)	(887 753)	46 836 969
Plant and machinery	4 169 890	521 263	-	-	(48 587)	-	41 611	(655 000)	-	4 029 177
Furniture and fixtures	387 561	339 286	-	-	(100 409)	-	97 775	(100 249)	-	603 964
IT equipment	2 005 174	52 999	-	-	(170 043)	-	163 553	(511 082)	-	1 540 601
Roads	141 027 562	747 263	1 780 048	-	-	-	-	(6 653 825)	(294 652)	136 606 396
Transport Assets	3 342 478	4 271 207	-	-	(736 345)	-	595 212	(745 980)	-	6 726 572
Other Leased Assets	736 924	19 216	-	-	-	-	-	(450 845)	-	305 295
Afforestation	1 931 452	30 610	-	-	-	-	-	(106 166)	-	1 855 896
Solid Waste	29 448 249	-	2 289 394	-	-	-	-	(1 030 888)	-	30 706 755
Electricity	6 339 341	316 281	-	-	-	-	-	(431 214)	-	6 224 408
Total	246 761 170	7 350 898	13 254 099	-	(1 305 384)	25 606 500	898 151	(11 808 199)	(1 182 405)	279 574 829

Reconciliation of Work-in-Progress

	2019				2018			
	Included within Buildings	Included within Infrastructure	Included within Other	Total	Included within Buildings	Included within Infrastructure	Included within Other	Total
Opening balance	17 872 419	4 347 477	7 188 233	29 408 129	8 687 762	23 915 875	34 029 072	66 632 709
Additions/capital expenditure	31 195 333	9 268 784	-	40 464 117	9 184 657	1 780 048	2 289 393,80	13 254 099
Transferred to completed items	(13 454 454)	(4 957 409)	(2 096 037)	(20 507 901)	-	(21 348 446)	(29 130 233)	(50 478 679)
	35 613 298	8 658 852	5 092 195	49 364 346	17 872 419	4 347 477	7 188 233	29 408 129

	2019	2018 Restated*
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3 Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the uMuziwabantu Local Municipality. Refer to Appendix B for more details on property, plant and equipment. The effective date of re-valuation of land was 1 July 2017, and an independent value, Mills Fitchet, was appointed to do the valuation. The valuation was determined at market related values or recent or recent market transactions at arms length.

No property, plant and equipment has been pledged as securities for liabilities.

There is no plant and equipment that is taking a significantly longer period of time to complete than expected.

There is no plant and equipment where construction or development has been halted either during the current or previous reporting period(s).

There is no amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up.

Refer to Note 39 for the amount of contractual commitments for the acquisition of property, plant and equipment.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Amount paid to suppliers included under Contracted services

	4 586 740	4 967 778
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4 Intangible assets

	2019			2018				
	Cost Valuation	Accumulated amortisation and accumulated impairment	Carrying Value	Cost Valuation	Accumulated amortisation and accumulated impairment	Carrying Value		
Computer software	1 676 589	(724 749)	951 840	1 676 589	(394 461)	1 282 128		
Reconciliation of Intangible assets	Opening Balance	Additions	Amortisation	Total	Opening Balance	Additions	Amortisation	Total
	1 282 128	-	(330 288)	951 840	1 545 011	131 578	(394 461)	1 282 128

The useful lives for intangible assets is 3-5 years. Intangible assets are amortised over their estimated useful lives using the straight-line method.

No intangible assets have been pledged as securities for liabilities.

There is no amount of contractual commitments for the acquisition of intangible assets.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
5 Employee benefit obligations		
Calculation of Post employment Medical Subsidy:		
Independent valuer, Arch Actuarial Consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	9,89 %	9,79 %
Healthcare cost inflation	7,25 %	7,51 %
Net discount rate	2,46 %	2,12 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	62	62
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	9 %	9 %
Age 30	6 %	6 %
Age 40	5 %	5 %
Age +50	3 %	3 %
Age +55	0 %	0 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	5 471 339	3 744 996
Fair value of plan assets		
	5 471 339	3 744 996
Movements in the defined benefit obligations is as follows:		
Opening balance	3 744 996	3 309 097
Current service cost	312 919	294 935
Actuarial (gains)/losses	1 099 054	(141 384)
Benefit payments	(49 577)	(46 452)
Interest cost	363 947	328 800
	5 471 339	3 744 996
Post-employment medical benefits loss	n/a	n/a
Medical (gain) / loss	5 471 339	3 744 996
	5 471 339	3 744 996
Statement of Financial performance obligation for:		
Medical (gain) / loss	1 099 054	(141 384)

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
5 Employee benefit obligations (continued)		
Calculation of Long Service Bonus Awards:		
Independent valuer, Arch Actuarial Consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8,29 %	8,59 %
Healthcare cost inflation	5,62 %	6,41 %
Net discount rate	2,53 %	2,05 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	62	62
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	9 %	9 %
Age 30	6 %	6 %
Age 40	5 %	5 %
Age 50	3 %	3 %
Age +55	- %	- %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	1 628 636	1 851 872
Fair value of plan assets	-	-
	1 628 636	1 851 872
Opening balance	1 242 699	1 851 873
Current service cost	214 486	(411 649)
Actuarial (gains)/losses	242 136	24 738
Benefit payment	(223 256)	(353 919)
Interest cost	152 571	131 656
	1 628 636	1 242 699
Statement of Financial performance obligation for:		
Post-employment benefits loss	n/a	n/a
Long service award (gain) / loss	1 628 636	1 242 699
	1 628 636	1 242 699
Post-employment benefits loss	n/a	n/a
Long service award (gain) loss	242 136	24 738
	242 136	24 738

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
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5 Employee benefit obligations (continued)**Key assumptions used**

The salaries used in the valuation include an assumed increase on 1 July 2018 of 7.36% as per the SALGBC circular no: 02/2017. The next salary increase was assumed to take place in 1 July 2019.

Health Care Cost Inflation

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs(for example, due to technological advances or changes in utilisation patterns).

A health care cost inflation rate of 8.29% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 6.77%. A larger differential would be unsustainable, eventually forcing members to less expensive options

Replacement ratio

This is the expected pension as a percentage of the final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contributions rate tables are income-dependant. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

6 Plantation Inventories

Opening Balance	31 483 943	27 807 843
Gains / (Losses) on changes in plantation standing timber value	6 326 173	3 676 100
Afforestation inventory		
Total	37 810 116	31 483 943

Plantation inventories represents consumable biological assets held for harvest as an agricultural produce and yet to attain harvestable specifications. The movement of R6 326 173 during the year represents a gain from changes in fair value. Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

7 Inventories

Materials and Supplies	75 394	139 307
Consumables	82 748	115 707
Afforestation scheme	27 700	71 237
	185 842	326 251

Inventory has been recorded using the weighted average cost method. Consumables are carried at lower of cost or current replacement cost. Materials are carried at lower of cost or net realisable value. No inventory values were written-down or reversed

The amount of inventories recognised as an expense during the period:

Materials and Supplies - Electrical equipment	488 183	425 451
Consumables @ standard rate	814 604	1 131 686
Agricultural - Afforestation scheme:	-	-
	1 302 787	1 557 137

No inventory is pledged as security for any liabilities.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
8 Receivables from exchange transactions		
Gross balances		
Electricity	4 289 136	3 815 829
Refuse	1 246 495	982 649
Other debtors	4 541 698	3 534 231
Deposits	10 400	10 400
	10 087 729	8 343 108
Less: Allowance for impairment		
Electricity	(1 197 556)	(953 762)
Refuse	(839 929)	(609 864)
Other debtors	(1 046 291)	(1 046 291)
	(3 083 776)	(2 609 917)
Net balance		
Electricity	3 091 580	2 862 067
Refuse	406 567	372 785
Other debtors	3 495 407	2 487 940
Deposits	10 400	10 400
	7 003 954	5 733 192
Ageing of Exchange Transactions		
Electricity		
Not past due:		
Current (0 - 30)	1 918 698	1 900 333
Past due:		
31 - 60 days	719 255	735 891
61 - 90 days	287 588	283 084
91 - 120 days	135 701	148 264
121 - 365 days	590 151	416 687
> 365 days	637 742	331 569
	4 289 136	3 815 829
Refuse		
Not past due:		
Current (0 - 30)	211 877	198 455
Past due:		
31 - 60 days	122 472	145 460
61 - 90 days	88 476	83 258
91 - 120 days	73 632	61 477
121 - 365 days	346 373	267 810
> 365 days	403 666	226 187
	1 246 495	982 649
Reconciliation of allowance for impairment		
Balance at beginning of year	(2 609 917)	(829 102)
Contributions to provision	(473 859)	(1 780 815)
Impairment reversed	-	-
Debt written off	-	-
	(3 083 776)	(2 609 917)

The Credit Policy states that the average credit period is 30 days. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt.

No carrying amount of financial assets has been pledged as collateral for liabilities or contingent liabilities.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
9 Receivables from non-exchange transactions		
Gross balances		
Rates	19 604 512	15 897 736
Overpayment	27 100	-
Traffic Fines	1 953 520	1 731 520
	21 585 132	17 629 256
Less: Allowance for impairment		
Provision for bad debts - Property rates	(10 572 954)	(8 849 615)
Provision for bad debts - Traffic fines	(1 942 420)	(1 731 520)
	(12 515 374)	(10 581 135)
Net Balance		
Rates	9 031 558	7 048 121
Overpayment	27 100	-
Traffic Fines	11 100	-
	9 069 758	7 048 121
Reconciliation of allowance for impairment		
Balance at beginning of year	(10 581 135)	(7 572 266)
Contributions to provision	(1 934 239)	-3 008 869
	(12 515 374)	(10 581 135)
Rates		
Not past due:		
Current (0 - 30)	1 304 715	1 269 434
Past due:		
31 - 60 days	903 159	1 049 340
61 - 90 days	768 881	745 997
91 - 120 days	704 622	677 859
121 - 365 days	4 163 165	2 886 751
> 365 days	11 759 969	9 268 355
	19 604 512	15 897 736
Overpayment		
Not past due:		
Current (0 - 30)	27 100	-
Traffic Fines		
Not past due:		
Current (0 - 30)	22 800	-
Past due:		
31 - 60 days	59 500	-
61 - 90 days	42 800	-
91 - 120 days	29 450	-
121 - 365 days	67 450	-
> 365 days	1 731 520	1 731 520
	1 953 520	1 731 520

No carrying amount of financial assets has been pledged as collateral for liabilities or contingent liabilities.

Provision for impairment on property rates was not done in prior years and has been done in current and prior year figures have been restated.

The prior year balance for traffic fines relates to 2017 and prior years.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
9 Receivables from exchange and non-exchange transactions (continued)		
Receivables from exchange and non-exchange transactions by customer classification		
Consumers		
Current (0 - 30)	1 016 471	994 615
31 - 60 days	716 473	715 438
61 - 90 days	540 263	553 768
91 - 120 days	457 367	446 108
121 - 365 days	2 752 813	2 077 342
> 365 days	10 229 515	5 228 148
	15 712 902	10 015 419
Industrial / Commercial		
Current (0 - 30)	2 773 220	5 342 938
31 - 60 days	753 761	989 376
61 - 90 days	446 940	381 951
91 - 120 days	269 308	289 778
121 - 365 days	1 743 247	1 228 232
> 365 days	4 051 144	3 114 398
	10 037 620	11 346 673
National and Provincial government		
Current (0 - 30)	484 932	519 586
31 - 60 days	266 524	212 476
61 - 90 days	146 955	166 515
91 - 120 days	147 989	138 728
121 - 365 days	544 834	358 374
> 365 days	4 331 106	3 214 592
	5 922 340	4 610 272
Total		
Current (0 - 30)	4 274 622	6 857 139
31 - 60 days	1 736 758	1 917 290
61 - 90 days	1 134 158	1 102 234
91 - 120 days	874 664	874 613
121 - 365 days	5 040 894	3 663 948
> 365 days	18 611 765	11 557 138
	31 672 861	25 972 364
Reconciliation of allowance for impairment		
91 - 120 days	(323 558)	(209 741)
121 - 365 days	(248 620)	(169 997)
> 365 days	(15 026 972)	(12 811 314)
	(15 599 150)	(13 191 052)
Net balance	16 073 711	12 781 312
10 VAT		
VAT receivable	4 409 643	3 408 392

VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
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11 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 976	497
Bank balances	4 771 023	9 671 960
Short-term deposits	159 852 812	155 051 930
	164 627 811	164 724 387

The Local Municipality had the following bank accounts

Account number / description			Bank statement balances		Cashbook balances	
			30 June 2019	30 June 2018	30 June 2019	30 June 2018
Nedbank - Account number : 116 503 3615	Primary Account		3 672 400	9 289 605	3 671 800	9 289 610
FNB - Account number : 50932742767	Current-Afforestation		1 099 223	382 535	1 099 223	382 350
FNB - Account number : 61240006266	Call account		536 216	517 019	536 216	517 019
FNB - Account number : 62618238655	Call account		636 791	596 882	636 791	596 882
FNB - Account number : 62605479767	Fixed deposit		22 971 214	21 529 210	22 971 214	21 529 210
FNB - Account number : 71767247300	Call account		-	20 000 000	-	20 000 000
FNB - Account number : 62766746542	Call account		7 425	6 959	7 425	6 959
Nedbank - Account number : 0371 6501 8956/01	Call account		12 767	368 315	12 767	368 315
Nedbank - Account number : 0371 6501 5337/01	Fixed deposit		373 427	350 066	373 427	350 066
Nedbank - Account number : 0371 6501 4802/0016	Call account		448 119	420 086	448 119	420 086
Nedbank - Account number : 0371 6501 4802/01	Call account		9 349 225	8 764 363	9 349 225	8 764 363
Nedbank - Account number : 0371 6501 8956/18	Call account		727 191	681 681	727 191	681 681
Nedbank - Account number : 0371 6501 3008/77	Call account		69 066	3 817 966	69 066	3 817 966
Nedbank - Account number : 0371 6502 6169/6	Call account		-	27 000 000	-	27 000 000
Nedbank - Account number : 037165013415/03	Call account		2 611 215	10 511	2 611 215	10 511
Nedbank - Account number : 037165013415/31	Call account		-	15 598 662	-	15 598 662
Nedbank - Account number : 0371 6502 6169/01	Call account		21 412 099	3 379 412	21 412 099	3 379 412
Nedbank - Account number : 03716506169/10	Call account		21 000 000		21 000 000	
Investec - Account number : 1100529803451	Fixed deposit		-	27 000 000	-	27 000 000
Investec - Account number : 1100 5298 03452	Fixed deposit		-	25 000 000	-	25 000 000
Investec - Account number : 1100529803500	Fixed deposit		44 892 252		44 892 252	
Standard Bank	Fixed deposit		17 400 000	-	17 400 000	-
Standard Bank	Fixed deposit		17 395 006	-	17 395 006	-
Afforestation investment			10 799	10 799	10 799	10 799
			164 624 435	164 724 070	164 623 835	164 723 890

The difference of R600 in current year relates to the primary account of uMuziwabantu Local Municipality is due to an error that was made by the bank.

12 Revaluation reserve

Opening balance	53 515 969	26 468 400
Revaluation of Property	-	27 047 569
Closing Balance	53 515 969	53 515 969

No revaluation of property, plant and equipment was done this year as there has been no changes to the value of land as per the Valuation Roll.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
13 Leases		
Finance lease obligation		
Minimum lease payments due		
-within one year	105 631	351 793
-in second to fifth year	11 038	62 480
	<u>116 669</u>	<u>414 273</u>
less: future finance charges	(4 488)	(21 959)
Present value of minimum lease payments	<u>112 182</u>	<u>392 314</u>
Present value of minimum lease payments due		
-within one year	105 631	305 209
-in second to fifth year	11 038	60 672
	<u>116 670</u>	<u>365 880</u>
Non-current liabilities	11 038	60 672
Current liabilities	105 631	331 643
	<u>116 670</u>	<u>392 314</u>

The Local Municipality leased three vehicles for a period of 3 years which expired in February 2019. The Local Municipality is photocopy machines for period of 3 years and tablets for a period of 2 years. Lease instalments are payable monthly at the end of the month. Incremental interest rate was charged at 10,5% per annum. No restrictions are imposed by lease arrangements. The lease agreements do not provide for contingent lease payments.

Operating lease

Operating lease payments recognised	295 270	292 492
Operating lease payments liability	4 729	6 621

The Local Municipality is leasing a building for a period two years. Lease agreement does not provide for contingent rent payments. Lease payments are subject to escalation at a rate of 8% over the lease period. No restrictions are imposed by lease arrangement. Difference between the amounts recognised as an expense and the contractual payments that has been recognised as an operating lease asset or liability.

14 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Small Ton Rehabilitation Grant	1 805 466	2 091 173
Land Use Management Systems Grant (LUMS)	73 000	73 000
Government Expect Grant	7 890	7 890
Integrated National Electrification Programme Grant	954	1 780 972
Disaster Management Grant	400 000	-
Sports and Recreation Grant	45 680	-
Housing Grant	2 498 906	2 695 553
	<u>4 831 895</u>	<u>6 648 588</u>

Movement during the year

Balance at the beginning of the year		6 648 588	3 510 117
Receipts during the year:		33 094 000	44 457 553
- Operational grants	Note 23	10 154 000	10 772 553
- Capital grants	Note 24	22 940 000	33 685 000
Revenue recognition during the year:		(34 910 692)	(41 319 082)
- Operational grants	Note 23	(11 684 985)	(6 424 031)
- Capital grants	Note 24	(23 225 707)	(34 895 051)
		<u>4 831 896</u>	<u>6 648 588</u>

These amounts are included in the cash and cash equivalents in Note 11.

The Local Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. See note 22 and 23 for reconciliation (detailed movement) of grants from National/Provincial Government.

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
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15 Provisions

Reconciliation of provisions 2019

	Opening balance	Movements	Total
Environmental rehabilitation of landfill site	4 125 456	391 918	4 517 374
	4 125 456	391 918	4 517 374

Reconciliation of provisions 2018

	Opening balance	Movements	Total
Environmental rehabilitation of landfill site	3 767 539	357 916	4 125 456
	3 767 539	357 916	4 125 456

The Harding general waste landfill site is amortised over a period of 25 years as per USK Consulting report (engineer). The future value at inception for this rehabilitation is R21 131 293.68. The present value is calculated as follows:

Interest - 9.5%
Number of years - 25

The present value is R 4 517 374 that was capitalised as at end of 2018/19 financial year. The depreciation is calculated on the straight line basis. The provision of the landfill site increases at a 9.5% rate per annum. In the current financial year an amount of R 391 918 increased the provision.

The landfill site is registered with the Department of Environmental Affairs.

16 Payables from exchange transactions

Trade payables	3 901 474	7 409 254
Accrued bonus	1 383 287	1 205 351
Leave accrual	3 801 948	3 181 286
Other creditors - Afforestation	387 072	270 411
Retention	2 140 055	2 421 105
	11 613 837	14 487 407

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

17 Consumer deposits

Hall hire deposits	25 106	45 634
Electricity	528 367	527 567
	553 473	573 201

18 Investment revenue

Interest revenue - Bank	13 578 663	11 273 396
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The amount disclosed in the Investment revenue arising from the invested funds that are not immediately required.

19 Rental of facilities and equipment

Rental of facilities and equipment	224 995	81 902
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uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
20 Revenue		
Afforestation Scheme sales	9 715 536	7 502 432
Services charges	33 472 426	33 035 652
Rental of facilities	224 995	81 902
Licence and permits	2 036 508	1 699 906
Agency services	244 916	377 738
Other income	970 791	1 008 721
Interest received - investments	13 578 663	11 273 396
Property rates	26 608 887	27 220 633
Property rates - penalties	2 274 684	1 434 502
Government grants and subsidies	96 248 591	86 094 031
Capital grants	23 225 707	34 492 888
Fines, Penalties and forfeits	258 950	15 250
	208 860 654	204 237 052

The amount included in revenue arising from exchange of goods or services are as follows:

Afforestation Scheme sales	9 715 536	7 502 432
Services charges	33 472 426	33 035 652
Rental of facilities	224 995	81 902
Licence and permits	2 036 508	1 699 906
Agency services	244 916	377 738
Other income	970 791	1 008 721
Interest received - investments	13 578 663	11 273 396
	60 243 835	54 979 748

The amount included in revenue arising from non-exchange transactions are as follows:

Property rates	26 608 887	27 220 633
Property rates - penalties	2 274 684	1 434 502
Government grants and subsidies	96 248 591	86 094 031
Capital grants	23 225 707	34 492 888
Fines, Penalties and forfeits	258 950	15 250
	148 616 819	149 257 304

21 Property rates**Rates levied**

Residential	5 090 164	6 104 880
Commercial	8 869 490	9 604 595
State	11 240 858	10 000 000
Agriculture	1 404 418	1 506 837
Public Service Infrastructure	3 957	4 321
	26 608 887	27 220 633

Property rates - penalties imposed

2 274 684	1 434 502
28 883 571	28 655 135

All registered indigents receive a monthly subsidy of 100% rebate on rates which is funded from the Equitable Share Grant

Valuations

Residential	548 918 000	548 918 000
Commercial	490 841 000	490 841 000
State	663 285 000	663 285 000
Agriculture	435 983 000	435 983 000
Public Service Infrastructure	35 170 000	35 170 000
Communal	136 160 000	136 160 000
Municipal	46 122 000	46 122 000
Public Benefit Organisation	28 742 000	28 742 000
Tourism	29 900 000	29 900 000
	2 415 121 000	2 415 121 000

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Residential, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest is levied on outstanding rates.

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
22 Service charges		
Sale of electricity	31 083 338	30 754 942
Refuse removal	2 389 088	2 280 714
	33 472 426	33 035 656

23 Operational grants

Equitable Share Grant	82 520 972	78 496 418
Other Government Grants	-	528 004
Free Basic Electricity: Equitable share	3 823 605	3 392 609
Financial Management Grant	1 900 000	1 900 000
Provincialisation of libraries (Cyber cadet) Grant	1 591 000	188 000
Library Subsidy Grant	-	583 000
Expanded Public Works Programme (EPWP)	1 213 000	1 006 000
Housing Grant	196 647	-
Integrated National Electrification Programme Grant	4 999 047	-
Sports and recreation Grant	4 320	-
	96 248 591	86 094 031

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable share

Operating:

Current year receipts	82 520 972	79 670 000
Conditions met - transferred to revenue	(82 520 972)	(79 670 000)
	-	-

Capital:

Current year receipts	-	99 609
Conditions met - transferred to revenue	-	(99 609)
	-	-

In terms of the Constitution, this unconditional grant is used to subsidise the provision of basic services . It has been utilised to co-fund operating activities to assist the Local Municipality to efficiently provide service delivery.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	1 780 972	-
Unspent grants surrendered	(1 780 972)	-
Current year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	(4 999 046)	(2 219 028)
	954	1 780 972

Conditions still to be met - remains a liability.

This grant was provided by Eskom to the Local Municipality to address the backlog of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infracture in order to improve quality of supply.

Library Support Grant

Current year receipts	1 591 000	583 000
Conditions met - transferred to revenue	(1 591 000)	(583 000)
	-	-

Conditions have been met. This grant is received from the KZN Department of Arts and Culture and is used to subsidise the day to day operating activities for the Harding Town Library.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
23 Operational grants(continued)		
Expanded Public Works Programme Grant (EPWP)		
Current year receipts	1 213 000	1 006 000
Conditions met - transferred to revenue	(1 213 000)	(1 006 000)
	-	-
Conditions have been met. This grant was received from the Department of Public Works and it is utilised for job creation to alleviate poverty.		
Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
	-	-
Conditions have been met. This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial, asset and risk management in municipalities. The grant also provides funding for an internship programme.		
Land Use Management System Grant (LUMS)		
Balance unspent at beginning of the year	73 000	73 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	73 000	73 000
Conditions still to be met - remains a liability. This grant was provided to assist in the development of Land Use Management Systems.		
Library Cyber Cadet Grant		
Current year receipts	-	188 000
Conditions met - transferred to revenue	-	(188 000)
	-	-
Conditions have been met. This grant was received from the KZN Department of Arts and Culture for capacity building and support on Information Technology at the Harding Town Library.		
Housing Grant		
Balance unspent at beginning of the year	2 695 553	-
Current year receipts	-	2 695 553
Conditions met	(196 647)	-
	2 498 906	2 695 553
Conditions still to be met - remains a liability. This grant was received from the Department of Human Settlements for the provision of RDP houses. The municipality is an agent and therefore conditions met are not recognised as revenue.		
Government Expert Grant		
Balance unspent at beginning of year	7 890	7 890
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	7 890	7 890
Conditions still to be met - remains a liability.		

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
23 Operational grants(continued)		
Disaster Management Grant		
Balance unspent at beginning of the year	-	128 003
Current year receipts	400 000	400 000
Conditions met - transferred to revenue	-	(528 003)
	400 000	-
Conditions still to be met - remains a liability.		
Sports and recreation Grant		
Balance unspent at beginning of the year	-	-
Current year receipts	50 000	-
Conditions met - transferred to revenue	(4 320)	-
	45 680	-
Conditions still to be met - remains a liability.		
24 Capital Grants		
Municipal Infrastructure Grant	22 940 000	28 282 837
Small Town Rehabilitation Grant	285 707	6 210 051
	23 225 707	34 492 888
Included in above are the following grants and subsidies received:		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	-
Current year receipts	22 940 000	28 685 000
Conditions met - transferred to revenue	(22 940 000)	(28 685 000)
	-	-
Conditions have been met. This grant is used to address backlogs in municipal infrastructure required for the provision of basic services		
Small Town Rehabilitation Grant		
Balance unspent at beginning of year	2 091 173	3 301 224
Current year receipts	-	5 000 000
Conditions met - transferred to revenue	(285 707)	(6 210 051)
	1 805 465	2 091 173
Conditions still to be met - remains a liability. This grant was received from KZN COGTA in regards to small town rehabilitation.		
25 Other Income		
Other revenue	766 904	599 347
Building plans fees	161 671	312 343
Burial Fees	42 215	48 959
Hall hire and facilities	-	48 072
	970 791	1 008 721

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
26 Operational Costs		
Advertising	1 318 641	1 253 480
Auditors remuneration	2 405 386	2 114 988
Bank charges	115 075	135 661
Bursary	450 855	57 687
Conference and seminars	1 881 157	1 639 459
Disaster Management	135 375	110 443
Electricity	-	2 833 441
Employee Assistant programme	3 000	7 901
Entertainment	268 665	171 863
External Computer Service	3 936 497	1 362 069
Fuel and oil	2 562 196	2 115 351
Grass Cutting	405 689	429 125
Indigent Rebates	4 579 112	4 701 317
Insurance	272 934	447 659
Internal Audit	84 110	323 921
Job evaluation	13 297	363
LED fund	820 676	784 196
Legal expenses	678 482	710 122
Motor vehicle expenses	114 353	138 905
Other expenses	476 931	1 356 608
Postage and courier	212 764	59 670
Prepaid Commission	512 621	519 417
Printing and stationery	372 570	211 831
Protective clothing	488 079	142 254
Salga Games	434 719	458 636
Subscriptions	767 374	594 667
Town planning scheme	74 824	145 755
Training	138 283	392 381
Travel - local	256 300	289 031
Valuation of properties	56 971	68 202
Ward committees	1 196 750	889 841
Water	899 401	1 364 253
	25 933 088	25 830 487

Refer to Note 56 for operational costs reclassified.

Electricity of R 2.8m are Professional fees for designing of Mazekhele electricity master plan.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
27 Employee related costs		
Basic	37 812 635	31 923 879
Medical aid - company contributions	2 564 279	2 294 636
UIF	378 377	335 481
Leave pay provision charge	897 414	889 107
Pension fund	6 098 208	5 360 118
Overtime payments	6 372 261	4 033 919
Housing benefits and allowances	1 969 906	2 726 839
Car allowances	2 698 142	2 117 494
Bargaining council levy	501 055	20 141
Post retirements and long service benefits:		
- current service cost	527 405	492 460
- interest cost	516 518	460 456
- benefits paid	(272 833)	(400 371)
- actuarial gains and losses	1 341 190	(116 646)
Cellphone	401 884	384 754
	61 806 442	50 522 265
 Remuneration of Municipal Manager: Mr S.D Mbhele		
Annual Remuneration	-	584 005
Allowances	-	106 315
Contributions to UIF, Medical aid and pension fund	-	8 782
Performance Bonus	-	172 154
Leave Pay	-	39 085
	-	910 341
 Remuneration of Municipal Manager: Mr W.T Gumde (as from 1/1/2019)		
Annual Remuneration	481 413	-
Allowances	107 100	-
Contributions to UIF, Medical aid and pension fund	6 642	-
Performance Bonus	102 333	-
Leave Pay	-	-
	697 488	-
 Remuneration of Director: Community Services: Mr W.T Gumede (up to 31/12/2018)		
Annual Remuneration	448 741	806 001
Allowances	137 848	114 158
Contributions to UIF, Medical aid and pension fund	6 166	79 476
Performance Bonus	-	104 333
	592 755	1 103 968
 Remuneration of Director: Technical Services: Mr S Malinga		
Annual Remuneration	791 857	677 278
Allowances	226 820	132 394
Contributions to UIF, Medical aid and pension fund	11 002	72 527
Performance Bonus	74 912	93 349
	1 104 592	975 548
 Remuneration of Acting Municipal Manager: Mr V Kubeka (as of 1/3/2018 up to 30/8/2018)		
Annual Remuneration	264 286	331 330
Allowances	87 464	71 782
Contributions to UIF, Medical aid and pension fund	4 493	4 741
Cellphone and Travel	55 663	-
Performance Bonus	-	19 860
	411 907	427 713

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
27 Employee related costs (continued)		
Remuneration of Director: Acting Chief Financial Officer: Ms N Mngomezulu (as of 1/4/2018 up to 19/9/2018)		
Annual Remuneration	145 114	162 186
Allowances	63 154	54 062
Contributions to UIF, Medical aid and pension fund	2 742	4 348
Performance Bonus	-	5 550
Leave Pay	28 545	-
Back pay	11 678	14 787
	251 233	240 933
Remuneration of Acting Municipal Manager: Mr R. Brijraj (as of 9/10/2018 up to 4/1/2019)		
Annual Remuneration	172 213	-
Allowances	95 542	-
Contributions to UIF, Medical aid and pension fund	3 342	-
Performance Bonus	-	-
Leave Pay	20 145	-
	291 241	-
Remuneration of Acting Chief Financial Officer: Mr Z.R Thusi (as of 8/10/2018 up to 10/4/2019)		
Annual Remuneration	312 686	-
Allowances	133 978	-
Contributions to UIF, Medical aid and pension fund	5 583	-
Performance Bonus	-	-
Leave Pay	27 004	-
	479 251	-
Remuneration of Director Community Svcs: Mr S.W Mkhize (as from 1/3/2019 up to 31/5/2019)		
Annual Remuneration	186 375	-
Allowances	37 515	-
Contributions to UIF, Medical aid and pension fund	3 009	-
Performance Bonus	-	-
Leave Pay	21 470	-
	248 369	-
28 Remuneration of councillors		
Councillors	7 598 368	7 667 200
Telephone allowance	931 072	901 326
	8 529 439	8 568 526
Mayor: Hon. D.Nciki	874 924	840 313
Deputy Mayor: Cllr TN Dzingwa	706 600	709 475
Speaker: Cllr MV Nyathi	707 958	715 907
Exco Member: Cllr MV Vezi	707 707	687 799
Exco Member: Cllr SJ Ncwane	698 792	713 527
MPAC chair Cllr HJ Ngubelanga	387 189	372 873
Other Councillors	4 446 270	4 528 632
	8 529 439	8 568 526

In-kind benefits

The Mayor, Deputy Mayor, speaker and Mayoral Committee members are full time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties and has one full time driver.

uMuziwabantu Local Municipality

Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
29 Administrative expenditure		
Administration and management fees - third party (afforestation)	347 943	328 140
Administration and management fees - related party (afforestation)	4 060 218	3 867 279
	4 408 161	4 195 418
30 Debt impairment		
Debt impairment	2 408 098	5 033 972
31 Changes in value of plantation		
Plantation standing timber - Afforestation scheme	6 326 174	3 676 100
The increase in value was mainly due to the decrease in Rand price for Acacia and Eucalyptus on the weaker rand exchange rate to the Dollar. Refer to Note 6 for details of the plantation stock.		
32 Depreciation and amortisation		
Depreciation	14 674 711	11 512 702
Amortisation	330 288	394 461
	15 004 999	11 907 163
33 Finance costs		
Finance costs	799 067	1 065 184
34 Auditors 'remuneration		
Expenses	2 405 386	2 114 988
35 Contracted services		
Contractors		
Stage and Sound Crew	82 118	-
Catering services	1 338 341	1 423 254
Sports and Recreation	92 015	-
Artists and Performers	159 776	-
Maintenance of Equipment	2 126 437	1 394 604
Maintenance of Buildings and Facilities	1 386 141	1 073 237
Maintenance of Unspecified Assets	1 074 162	2 499 938
Building	-	15 521
Employee Wellness	-	7 900
Removal of Hazardous Waste	-	125 581
Safeguard and Security	4 563 223	761 222
Outsourced services		
Personnel and Labour	118 278	-
Clearing and Grass Cutting Services	914 752	429 124
Consulting and Professional fees	1 372 466	750 929
Internal Auditors	-	113 460
Refuse removal	144 229	443 220
Hygiene Services	203 306	349 688
Professional Staff	525 870	158 935
Transport Services	7 678	55 490
	14 108 791	9 602 102
36 Grants and Subsidies paid		
Contributions to UGU (South Coast Tourism)	927 849	394 737
Free basic electricity - Eskom	1 423 233	1 417 654
	2 351 082	1 812 391
37 Bulk purchases		
Electricity purchases	28 191 530	26 165 356
Electricity Distribution losses - amount	1 086 697	1 654 195
Electricity Distribution losses - %	4%	6%

Losses are contained within the National Energy Regulation of South Africa (NERSA) norms of between 4% and 10%

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
38 Cash Generated from operations		
Surplus	45 164 250	61 217 307
Adjustments for:		
Depreciation and amortisation	15 004 999	11 907 162
(Loss) gain on sale of assets and liabilities	298 528	453 245
Changes in value of plantation	(6 326 174)	3 676 100
Debt impairment	2 408 098	2 025 103
Other items	(4 020 225)	(2 317 789)
Finance cost	0	-
Prior adjument	4 832 672	(6 072 714)
Changes in working capital:		
Inventories	140 409	190 327
Receivable from exchange transactions	(1 270 762)	(1 623 712)
(increase)/decrease in other receivables	(3 022 887)	(2 236 971)
(increase)/decrease in investment property	-	-
(increase)/decrease in borrowings	(996 323)	469 892
(increase)/decrease in trade payables		
(increase)/decrease in conditional grants and receipts	(2 873 571)	5 740 525
Payables from exchange transactions	(1 816 693)	(1 557 082)
Unspent conditional grants and receipts	(19 728)	560
Consumer deposits		
	47 502 593	71 871 953
39 Commitments		
Commitments in respect of capital expenditure		
Approved and Contracted for		
Infrastructure	111 867 047	50 999 404
Community	-	-
Other	5 680 225	9 168 181
	117 547 273	60 167 585
Approved but not yet contracted for		
Infrastructure	23 930 000	47 099 000
Community	8 604 204	13 034 204
Other	11 065 000	6 126 850
	43 599 204	66 260 054
Total capital commitments		
Approved and Contracted for	117 547 273	60 167 585
Approved but not yet contracted for	43 599 204	66 260 054
	161 146 477	126 427 639
This committed expenditure relates to property, plant and equipment and will be finance by available bank facilities, retained surpluses, existing cash resources, funds internally generated and other grants to be received from other shares of government etc.		
Commitments in respect of operating expenditure		
Approved and Contracted for	17 265 761	2 238 673
Total Commitments	178 412 238	128 666 312
Operating leases - as lessee (expenditure)		
Minimum lease payments due		
- within 1 year	146 851	341 564
- in second to fifth year inclusive	-	146 851
	146 851	488 414

Operating lease commitments are included as part of commitments in respect of operating expenditure.

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS

	2019	2018 Restated*
40 Related parties		
Controlled Afforestation Scheme	Refer to note 49	
Councillors	Refer to note 28	
Key management personnel	Refer to note 27	
UGU South Coast Tourism	Refer to note 36	

Related party transactions:

No transactions have been identified that were not in an arm's length.

41 Going concern

We draw attention to the fact that at 30 June 2019, the Local Municipality had accumulated surplus of R456 831 061 and that the Local Municipality's total liabilities are R28 733 222 of its Net Assets of R510 347 030

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42 Events after the reporting date

No events after the reporting date 30 June 2019.

43 Unauthorised expenditure

uMuziwabantu Local Municipality did not incur any unauthorised expenditure during 2018/2019 financial year.

44 Fruitless and wasteful expenditure

Opening balance	7 409	-
Interest and penalties	491 423	7 409
Written off by Council	-	-
	498 832	7 409

Reasons for Fruitless and wasteful Expenditure

Interest charged on late payments:

SARS	28 615	7 409
Eskom	27 814	-
Telkom	4 277	-
Molloi and Associates	295 717	-
Supply and delivery of goats that died	135 000	-
	491 423	7 409

Fruitless and wasteful expenditure are not yet recoverable at the year end and are currently being investigated by the council which will determine recoverability and any criminal or disciplinary steps to be taken.

45 Irregular expenditure

Opening balance	41 185 559	6 422 723
Add: Irregular expenditure - current year	33 995 632	34 762 836
Less: amount written off after investigation by council	(6 422 723)	-
Closing balance - Irregular expenditure	68 758 468	41 185 559

Opening balance

Irregular expenditure for prior year was restated by R33 903 357,65 as a result of non-compliance with requirements of Regulation 29: Composition of Bid Adjudication Committee.

Details of Irregular expenditure – current year

Non-compliance with SCM Regulation 29 - Current year contracts	21 444 804
Non-compliance with SCM Regulation 29 - Prior year contracts	11 716 326
Non compliance with Preferential Procurement Regulations: Reg 9	457 580
Expenditure on expired lease contract	89 542
Expenditure incurred as a result financial misconduct	287 380
	33 995 632

Irregular expenditure written off by council has not yet been condoned by National Treasury. We are still awaiting this by National Treasury.

Irregular expenditure are not yet recoverable at the year end and are currently being investigated by the council which will determine recoverability and any criminal or disciplinary steps to be taken.

uMuziwabantu Local Municipality

Statement of Financial Position as at June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS**2019****2018**

Restated*

46 Contingent Liabilities

- **Litigation matters:** R 4 017 507,17 due to Municipal By-Laws implementation disputes and SMECSA, Ngeli Mills, Bargain Wholesalers, Overdrive Investments, Molbro Properties, Payn Brothers and Department of Labour claiming for outstanding payments based on their work done without approved variation orders.

- **Wage Curve Agreement**

On 21 April 2010 SALGA signed the "categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees based on an evaluation of employees jobs per the Task job evaluation system. Subsequent to the signing of the agreement the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with the effect 1 July 2010 instead of 1 July 2011. SALGA on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Local Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the Local Municipality may have a additional payable for employee wages, depending on the outcome of the pending litigation and finalisation of the job evaluation. As a result of the above standing issues it is not practice to reliably estimate the amount of this payable.

47 Additional disclosure in terms of Municipal Finance Management Act**Contributions to organised local government (SALGA)**

Current year subscriptions / fee

Amount paid - current year

732 200

(732 200)

458 636

(458 636)

Audit fees

Current year subscriptions / fee

Amount paid - current year

2 405 386

(2 405 386)

2 114 988

(2 114 988)

PAYE and UIF

Current year subscriptions / fee

Amount paid - current year

7 065 233

(7 065 233)

7 513 920

(7 513 920)

Pension and Medical Aid deductions

Current year subscriptions / fee

Amount paid - current year

13 402 193

(13 402 193)

11 695 421

(11 695 421)

Councillors accounts in arrear

As at 30 June 2019, Councillor S.J. Ncwane owed R4 002,25 for rates and services for more than 90 days.

48 Budget differences

Reasons for material difference between budget and actual amounts are provided in Appendix E.

49 Afforestation

The Local Municipality's plantation are known as the uMuziwabantu Local Municipality Harding Afforestation Scheme. This scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by the uMuziwabantu Local Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (PTY) Ltd, wholly owned by the subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (PTY) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (PTY) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (PTY) Ltd negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the uMuziwabantu Local Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operation has been incorporated on a line by line basis into the financial statements.

2019
2018
Restated*

50 Private public partnership

The Local Municipality was not a party to any Private Public Partnerships during the financial year 2018/2019.

51 Housing Development Fund

Cash Resources	9 850 491	9 232 133
	9 850 491	9 232 133

52 Supply chain section 36 deviations

(i) Due to an emergency	-	8 640
(ii) Sole service provider	553 258	350 412
(iii) Impractical or impossible to follow the official procurement processes	1 456 106	3 058 128
	2 009 363	3 417 180

53 Prior year adjustments

The following adjustments all relate to corrections of prior-period misstatements and reclassifications:

Cash and cash equivalents: Correction of bank statement balance to the system		(109 817)
Receivables from exchange transactions: Correction of prepayment and accrued interest		(91 901)
VAT receivable: Adjustment due to correction of accruals and finance leases		278 830
Property, plant and equipment: Correction of accruals, retentions and accumulated depreciation		827 812
Trade and other payables: Correction of retentions and accruals		3 366 560
Financial liabilities: Correction of finance and operating leases		(205 700)
Unspent grants: Correction of Small Town and Housing grants		(4 695 553)
Property rates: Correction of Housing grant		2 695 553
Interest on Investment: Reversal of interest accrued		115 548
Fines and penalties: Correction of actuarial gain and losses		(166 122)
Employee related cost: Correction of bonus provision and re-allocation of post retirements benefits		(280 738)
Depreciation and amortisation: Correction of depreciation on finance leases		43 755
Contracted Services: Correction of accruals		(38 874)
Finance Costs: Reclassification from operational cost		4 065
Operating Leases: Correction of operating leases		269 850
Operational Cost: Reclassification of expenses	312 472	(364 598)
Receivables from non-exchange transactions: Allowance for impairment of property rates		(5 840 746)
Accumulated Surplus: Effect of prior year adjustments		4 108 386
Receivables from exchange transactions - Credit balances on receivables	(1 035 843)	-
	(723 371)	(83 690)

Refer to Notes 55 and 56 for movements.

54 RISK MANAGEMENT

54.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Local Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	164 627 811	164 834 205
Trade and other receivables	7 003 954	5 733 192
Receivables from Non exchange transactions	9 069 758	7 048 121

54.2 Liquidity risk

The Local Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Local Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Local Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2019	Within a month
Payables from exchange transactions	11 613 837
Consumer deposits	553 473
Unspent grants and receipts	4 831 895
2018	Within three months
Payables from exchange transactions	14 487 407
Consumer deposits	573 201
Unspent grants and receipts	6 648 588

54.3 Interest rate risk

As the Local Municipality has no significant interest-bearing assets, the Local Municipality's income and operating cash flows are substantially independent of changes in market interest rates.

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Statement of Financial Position as at 30 June 2019

55 Prior year adjustments and reclassifications: Movements

	2018 Audited R	Prior year Adjustment R	Reclassification Adjustment R	Restated 2018 R
Assets				
Current assets				
Inventory	326 251	-	-	326 251
Receivables from exchange transactions	4 777 312	1 001 273,64	-45 393,89	5 733 191
VAT receivable	3 546 575	-138 182,19	-	3 408 392
Consumer debtors	15 958 238	-8 910 117,58	-	7 048 121
Cash and cash equivalents	164 834 205	-109 817,48	-	164 724 388
	189 442 581	-8 156 844	-45 394	181 240 343
Non-current assets				
Investment Property	2 702 000	-	-	2 702 000
Property, plant and equipment	278 747 011	827 812,37	-	279 574 824
Intangible Asset	1 282 128	-	-	1 282 128
Plantation Investment	31 483 943	-	-	31 483 943
	314 215 082	827 812	-	315 042 895
Total Assets	503 657 663	-7 329 031	-45 394	496 283 238
Liabilities				
Current liabilities				
Financial Liabilities	270 304	61 339,17	-	331 643
Unspent grants and receipts	1 953 035	4 695 552,95	-	6 648 588
Payables from exchange transactions	14 718 315	-3 412 194,08	3 181 286	14 487 407
Provisions	3 181 286	-	-3 181 286	0
Consumer deposits	527 807	-	45 393,89	573 201
	20 650 748	1 344 698	45 394	22 040 840
Non-current liabilities				
Financial Liabilities	-	60 671,52	-	60 672
Provisions	4 125 456	-	-	4 125 456
Employee benefit obligation	5 596 869	-	-	5 596 869
	9 722 325	60 672	-	9 782 996
	30 373 072	1 405 370	45 394	31 823 836
Net assets	473 284 590	-8 734 401	-	464 459 402
Net assets				
Reserves	53 440 900	-	75 068,90	53 515 969
Revaluation reserve	419 843 691	-8 764 579,02	-75 068,90	411 004 043
Accumulated Surplus				
Total Assets	473 284 591	-8 764 579	-	464 520 012

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Statement of Financial Performance

55 Prior year adjustments and reclassifications: Movements (continued)

	2018 Audited R	Prior year Adjustment R	Reclassification Adjustment R	Restated 2018 R
Revenue				
Revenue from exchange transactions				
Afforestation Scheme sales	7 502 432	-	-	7 502 432
Service charges	32 999 550	36 102,00	-	33 035 652
Rental on facilities and equipment	81 902	-	-	81 902
Licences and permits	2 077 644	-	-377 738,00	1 699 906
Other Income	1 008 721	-	-	1 008 721
Agency services	-	-	377 738,00	377 738
Interest received - investments	11 273 396	-	-	11 273 396
Total revenue from exchange transactions	54 943 646	36 102	-	54 979 748
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	28 916 185	-2 695 552,00	-	27 220 633
Property rates-penalties imposed	1 434 502	-	-	1 434 502
Transfer revenue				
Government grants and subsidies	86 094 031	-	-	86 094 031
Capital grants	34 492 888	-	-	34 492 888
Fines	15 250	-	-	15 250
Total revenue from non exchange transactions	151 952 856	-2 695 552	-	149 257 304
Total revenue	206 896 502	-2 659 450	-	204 237 052
Expenditure				
Employee related costs	(49 767 128)	-	-755 136,85	(50 522 265)
Remuneration of Councillors	(8 568 526)	-	-	(8 568 526)
Afforestation Scheme general expenses	(4 195 418)	-	-	(4 195 418)
Afforestation Scheme cost of sales	(3 935 175)	-	-	(3 935 175)
Depreciation and amortisation	(11 907 162)	-	-	(11 907 162)
Finance Costs	(947 397)	-	-117 786,94	(1 065 184)
Finance lease	(117 787)	-	117 786,94	-
Operating lease	-	-	-292 491,50	(292 492)
Debt impairment	(2 025 103)	-3 008 869,00	-	(5 033 972)
Repairs and maintenance	(4 804 507)	-	4 804 506,62	-
Inventory consumed	-	-	-1 557 137,41	(1 557 137)
Bulk purchases	(26 165 356)	-	-	(26 165 356)
Contracted services	(3 722 512)	-	-7 302 844,13	(11 025 356)
Transfers and subsidies	(1 812 391)	-	-	(1 812 391)
Operational expenses	(31 343 542)	-	5 513 056,27	(25 830 486)
Total Expenditure	(149 312 004)	(3 008 869)	409 953	(151 910 920)
Operating surplus	57 584 498	-5 668 319	409 953	52 326 133
Loss on Disposal of assets	(453 245)	-	-	(453 245)
Changes in value of plantation	3 676 100	-	-	3 676 100
Actuarial Gains/Losses	409 953	-	-409 953,00	0
Surplus for the year	61 217 307	(5 668 319)	0	55 548 988

uMuziwabantu Local Municipality
Financial Statements for the year ended June 30, 2019
Statement of Financial Performance

	Note(s)	2018 Audited R	Prior year Adjustment R	Reclassification Adjustment R	Restated 2018 R
56 RECLASSIFICATIONS					
1 Finance Costs					
Balance previously reported					-947 396,64
Movements from Finance lease					-117 786,94
Restated Balance On Finance costs					-1 065 183,58
2 Finance lease					
Balance previously reported					-117 786,94
Movements to Finance costs					117 786,94
Restated Balance on Finance lease					-
3 Repairs and maintenance					
Balance previously reported					-4 804 506,62
Movements to Contracted services					4 804 506,62
Restated Balance on Repairs and maintenance					-
4 Contracted services					
Balance previously reported					-3 722 512,03
Movement from Repairs and maintenance					-4 804 506,62
Movement from Operational Costs: Refuse removal					-209 822,28
Movement from Operational Costs: EPWP					-114 332,57
Movement from Operational Costs: Consulting and professional					-750 928,50
Restated Balance on Contracted services					-9 602 102,00
5 Inventory consumed					
Balance previously reported					-
Movement from Operational costs					-1 557 137,41
Restated Balance on Inventory consumed					-1 557 137,41
6 Operational costs					
Balance previously reported					-31 343 542,05
Movement to Operating leases					292 491,50
Movement to Contracted services					750 928,50
Movement to Contracted services					209 822,28
Movement to Contracted services					114 332,57
Movement to Employee costs (MIG PMU Salaries)					1 165 089,85
Movement to Contracted services					1 423 254,16
Movement to Inventory consumed					1 557 137,41
Restated Balance on Operational costs					-25 830 485,78
7 Operating leases					
Balance previously reported					-
Movement from Operational costs					-292 491,50
Restated Balance on Operating leases					-292 491,50
8 Consumer deposits					
Balance previously reported					527 807,40
Movement from Receivables from exchange transactions					45 393,89
Restated Balance on Consumer deposits					573 201,29
9 Employee costs					
Balance previously reported					-49 767 128,33
Movement from Actuarial gains					409 953,00
Movement from Operational costs					-1 165 089,85
Restated Balance on Employee related costs					-50 522 265,18
10 Actuarial gains and losses					
Balance previously reported					409 953,00
Movement to Employee related costs					-409 953,00
Restated Balance on Actuarial gains					-

APPENDIX E (1)

UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual R	2019 Budget R	2019 Variance R	%	Explanation of Significant Variances greater than 10%
REVENUE					
Property rates	26 608 887	24 904 489	1 704 397,56	7%	N/A
Property rates-penalties and charges	2 274 684	841 596	1 433 087,94	170%	Increased debtors age resulted in increased interest charged
Service charges	33 472 426	37 602 803	-4 130 377,43	-11%	Consumers purchased less electricity resulting in lower Eskom (Bulk)purchases
Rental on facilities and equipment	224 995	172 835	5 159,59	30%	The Municipal Managers house was vacant for some months
Interest earned-external investments	13 578 663	9 915 136	3 663 526,91	37%	Due to interest rate and amounts invested during the financial year; and budget was conservative
Fines	258 950	890 363	-631 413,00	-71%	Decrease in fines collection while budget was aggressive
Licences and permits	2 036 508	2 230 052	-193 544,04	-9%	Licence payments can be made throughout the country resulting in lower revenue
Agency services	244 916	550 000	-305 083,89	-55%	Fewer learners and drivers licences issued and budget may be aggressive
Transfer recognised	119 474 298	98 239 000	21 235 298,35	22%	N/A
Other revenue	970 791	1 676 394	-705 602,91	-42%	Budget was overstated for Building plans; Printing; Tender Documents; Burials
Gains on disposal of PPE	-	-	-		
Afforestation	9 715 536	-	9 715 536,00		N/A
Total Revenue	208 860 653,59	177 022 668,51	31 837 985,08	-2%	
EXPENDITURE					
Employee related costs	61 806 441,55	62 851 915,00	-1 045 473,45	-2%	N/A
Remuneration of Councillors	8 529 439,36	10 151 645,00	-1 622 205,64	-16%	Overbudget as the upper limits are not known during the budget process
Debts impairment	2 408 098,31	195 833,00	2 212 265,31	1130%	Increased debt impairment provision due AG finding on property rates debtors and under budgeted amount
Depreciation	15 004 998,84	14 604 032,00	400 966,84	3%	N/A
Finance costs	799 066,69	839 888,83	-40 822,14	-5%	N/A
Operating lease	295 270,07	-	295 270,07	100%	N/A
Bulk purchases	28 191 529,74	32 961 931,00	-4 770 401,26	-14%	Drop in the consumption/purchase of electricity by consumers
Contracted services	14 108 791,15	3 758 989,76	10 349 801,39	275%	Repairs and maintenance budgeted under operational costs
Transfers and grants	2 351 082,00	6 559 481,81	-4 208 399,81	-64%	The budget is overstated by rebates and Free basic services
Inventory Consumed	1 302 786,93	999 848,78	302 938,15	30%	Overspent on refuse bags; street lighting spares
Other expenditure	25 933 088,23	51 427 463,83	-25 494 375,60	-50%	Overbudget on Audit fees, IT Costs, Job Evaluation; Spatial Plan; Travel & Accommodation
Afforestation Scheme general expenses	4 408 161,00	-	4 408 161,00	0%	N/A
Afforestation Scheme cost of sales	4 585 296,00	-	4 585 296,00	0%	N/A
Total Expenditure	169 724 049,87	184 351 029,01	-14 626 979,14	-8%	
Loss on disposal of PPE	298 527,89	-	298 527,89	100%	No budget was allocated for the disposal loss
Changes in value of planations	6 326 174,00	-	6 326 174,00	0%	N/A
SURPLUS FOR THE YEAR	45 164 249,83	-7 328 360,50	52 492 610,33		

APPENDIX B
uMuziwabantu Local Municipality
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019

	Cost/Revaluation					Accumulated Depreciation			Carrying Value						
	Opening Balance	Fair Value	Additions	Disposals	Asset Transfers	Revaluations Adjustments	Closing Balance	Opening Balance		Current Year	Disposals	Closing Balance	Write Downs	Impairments	Closing Balance
LAND	44 138 797	-	-	-	-	-	-	-	-	-	-	-	-	-	44 138 797
BUILDINGS	50 432 156	-	24 309 205	(1 712)	-	-	-	9 895 668	2 021 774	(1 710)	11 915 732	-	887 753	12 803 484	61 938 164
INFRASTRUCTURE	222 877 722	-	16 154 913	-	-	-	-	43 307 988	9 796 530	-	53 104 518	-	294 652	53 399 169	185 633 466
ROADS	171 904 008	-	9 268 784	-	-	-	-	34 778 060	8 238 660	-	43 016 721	-	294 652	43 311 372	137 861 420
SOLID WASTE	30 826 449	-	-	-	-	-	-	1 830 799	1 131 153	-	2 961 953	-	-	2 961 953	27 864 497
CEMETARIES	35 500	-	-	-	-	-	-	-	-	-	-	-	-	-	35 500
ELECTRICITY	20 111 765	-	6 886 129	-	-	-	-	6 699 128	426 716	-	7 125 844	-	-	7 125 844	19 872 050
OTHER	25 824 515	-	6 761 132	(503 548)	-	-	-	12 913 400	2 454 164	(460 427)	14 907 137	-	62 682	14 969 820	17 112 279
FURNITURE AND OFFICE EQUIPMENT	2 238 831	-	937 207	(58 906)	-	-	-	1 624 068	181 509	(55 110)	1 750 466	-	949	1 751 415	1 365 717
TRANSPORT ASSETS	10 811 341	-	2 081 901	(274 334)	-	-	-	4 084 769	1 147 303	(267 221)	4 964 851	-	-	4 964 851	7 654 057
COMPUTER EQUIPMENT	2 997 195	-	408 462	(148 362)	-	-	-	1 456 593	425 174	(127 906)	1 753 861	-	5 694	1 759 555	1 496 749
MACHINERY AND EQUIPMENT	9 777 148	-	3 333 563	(20 956)	-	-	-	5 747 970	700 178	(10 189)	6 437 960	-	56 039	6 493 998	6 595 756
FINANCE LEASED ASSETS	982 017	-	35 559	(706 330)	-	-	-	676 721	266 372	(706 330)	236 764	-	-	236 764	74 482
AFFORESTATION (CONSOLIDATED)	2 641 800	-	-	-	-	-	-	785 904	106 166	-	892 070	-	-	892 070	1 749 730
SOLID WASTE (LANDFILL SITE)	2 185 582	-	54 318	-	-	-	-	509 977	73 183	-	583 160	-	-	583 160	1 656 740
PPE TOTAL	349 082 589	-	47 315 126	(1 211 590)	-	-	-	68 089 658	14 718 190	(1 168 467)	81 639 381	-	1 245 086	82 884 467	312 301 658

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Cost/Revaluation Adjustments					Closing Balance	Accumulated Depreciation					Carrying Value		
	Opening Balance	Fair Value	Additions	Disposals			Opening Balance	Current Year	Disposals	Closing Balance	Write Downs		Impairments	Closing Balance
INTANGIBLE ASSETS	1 676 589	-	-	-	-	1 676 589	394 461	330 288	-	724 749	-	-	724 749	951 840
ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2019														
LAND INVESTMENT	Opening Balance	Fair Value	Additions	Disposals		Closing Balance	Opening Balance	Current Year	Disposals	Closing Balance	Write Downs	Impairments	Closing Balance	Carrying Value
	2 702 000	-	-	-	-	2 702 000	-	-	-	-	-	-	-	2 702 000
ASSETS TOTAL	353 461 178	-	47 315 126	(1 211 590)	-	399 564 714	68 484 119	15 048 478	(1 168 467)	82 364 130	-	1 245 086	83 609 216	315 955 498
Check SUM	353 461 178	-	47 315 126	-1 211 590	-	399 564 714	68 484 119	15 048 478	-1 168 467	82 364 130	-	1 245 086	83 609 216	315 955 498

APPENDIX F

DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS FOR THE YEAR ENDED 30 JUNE 2019

Grant name	Organ of state	Unspent at beginning of year	Received during year	Total Received YTD	Expended during year	Unspent at end of year	% Spent YTD
Small Town Rehabilitation Grant	Province of KZN	R 2 091 173	-	-	R 285 707	R 1 805 466	14%
Land Use Management Systems Grant	Province of KZN	73 000	-	-	-	73 000	0%
Government Expect Grant	Province of KZN	7 890	-	-	-	7 890	0%
Electrification Grant	Province of KZN	1 780 972	5 000 000	5 000 000	6 780 018	954	100%
Disaster Management Grant	Province of KZN	-	400 000	400 000	-	400 000	0%
Financial Management Grant	Province of KZN	-	1 900 000	1 900 000	1 900 000	-	100%
Provincialisation of libraries	Province of KZN	-	1 591 000	1 591 000	1 591 000	-	100%
EPWP Grant	Province of KZN	-	1 213 000	1 213 000	1 213 000	-	100%
MIG	Province of KZN	-	22 940 000	22 940 000	22 940 000	-	100%
Housing	Province of KZN	2 695 553	-	-	196 647	2 498 906	7%
Sports & recreation	Province of KZN	-	50 000	50 000	4 320	45 680	9%
		6 648 588	33 094 000	33 094 000	34 910 693	4 831 895	105%